

Washington, DC – As the country faces a challenging fiscal crisis- with roots in poor oversight and regulations- many Americans have growing concerns about their personal financial stability. To protect consumers against some of the most arbitrary and unfair credit card lending practices, Congressman Joe Sestak (PA-07) voted on, and the House passed by a vote of 312-112, the Credit Cardholders' Bill of Rights (H.R. 5244). The legislation restricts unjust interest rate increases and unfair penalties for cardholders who pay their balances on time. The bill requires companies to give 45 days notice of all upcoming interest rate increases so consumers can pay off their balances and shop for a better deal, and it prohibits interest rate charges on balances repaid during the grace period. —

“Although many credit card companies have already revised their business practices, there are still many where abuses continue – trapping customers in high fees and increasing rates.” said Congressman Sestak. “The average American household’s credit card debt has nearly tripled since 1990 as consumers have come to rely more and more on credit cards for every day necessities. This legislation helps to give consumers a fair chance to pay their bills and get out of debt.”

To prevent unfair interest rate increases, the bill prohibits credit card companies from increasing rates on existing card balances because of delinquencies in unrelated accounts, while permitting retroactive increases only if a cardholder is more than 30 days late, if a pre-agreed promotional rate expires, or if the rate adjusts as part of a pre-agreed variable rate. It also requires card companies to give 45 days notice of all interest rate increases so consumers can pay off their balances and shop for a better deal.

In addition, this legislation protects consumers from “double cycle” billing, which allows card companies to charge interest on debt that has already been paid on time. If a cardholder pays on time and in full, the bill prevents card companies from piling additional fees on balances consisting solely of left-over interest. For example, if consumers pay off 90 percent of their debt on time, interest may only be charged on the remaining ten percent, instead of on the full amount.

Moreover, card companies will no longer be able to credit payments to a cardholder’s lowest interest rate balances first, a practice that makes it nearly impossible for consumers to pay off high rate debt. The bill requires payments to be generally allocated proportionally to balances that have different rates.

Furthermore, this legislation prevents companies from using misleading terms. It establishes definitions for “fixed rate” and “prime rate” so that companies do not deceive consumers in marketing and advertising; stipulates that card companies must mail billing statements 25 calendar days before the due date (up from the current 14 days); and ensures that payments made before 5 p.m. on the due date are marked as “on time.”

“This bill provides for smart, responsible and fair government regulation of an industry that is marked by examples of customer abuse. We must carry the intent of this legislation into all of our legislative efforts,” said Congressman Sestak.

*Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.*

###